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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL
October 1, 2009



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HAND DELIVERED

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Bankruptcy Report; Docket No. G-00000C-08-0501*

Dear Sir or Madam:

On behalf of SemStream Arizona Propane, LLC, attached is a status memorandum concerning the SemGroup, L.P. bankruptcy. SemStream Arizona Propane, LLC is not in bankruptcy. However, the report concerns certain entities affiliated with it or its parent which are involved in a bankruptcy case currently pending in Delaware. This report is subject to the reservations and statements set forth at the conclusion of the attached memorandum.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

MMG/plp
20474-3/2242554
Attachment

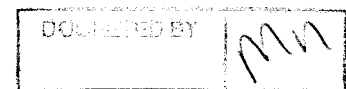
cc (w/attachment): Bob Gray, Utilities Division (e-mail)
Wes Van Cleve, Legal Division (e-mail)

Original and 13 copies filed with Docket
Control this 1st day of October, 2009.

Arizona Corporation Commission

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MEMORANDUM

TO: Docket Control, Arizona Corporation Commission
FROM: Joseph E. Cotterman, Gallagher & Kennedy, P.A.
SUBJECT: SemStream Arizona Propane LLC; Periodic Status Report Concerning SemGroup, L.P. Chapter 11 Case No. 08-11525 (BLS)
DATE: September 30, 2009

This memorandum provides an update to our memorandum of July 1, 2009, regarding the consolidated Chapter 11 cases pending under the lead case caption *In re SemGroup, L.P.*, in the United States Bankruptcy Court for the District of Delaware, Case No. 08-11525 (hereinafter, the "SemGroup Bankruptcy"). Gallagher & Kennedy's client, SemStream Arizona Propane LLC ("SemStream"), is not a debtor in the SemGroup Bankruptcy and Gallagher & Kennedy is not representing any entity in the SemGroup Bankruptcy.

Subject to the reservations and statements set forth at the conclusion of this memorandum, the following is a summary of certain events, hearings and filings in the SemGroup Bankruptcy since our July 1st update. As in any large commercial bankruptcy and as is also the case with the SemGroup bankruptcy, there have been literally thousands of filings in the bankruptcy that appear to be procedural, administrative matters of minor significance or matters of intermediate substance that are irrelevant to SemStream. In general, the most recent and more significant events as reflected in public filings in the SemGroup Bankruptcy were the filing of the Reorganization Plan and the amended versions of the initial Plan that followed, such as:

The SemGroup Debtors have filed various amended reorganization plans since May 15, 2009. Much of the substance of each amended version, and especially the substance relevant to SemStream, has not materially changed from the first plan proposed by the SemGroup Debtors. The current amended Plan proposes that the SemGroup Debtors will emerge from Chapter 11 bankruptcy protection reorganized around SemGroup's core business with restructured operations designed to maximize recoveries to creditors but with slight differences in the distributable value to creditors. Specifically, pursuant to the most recent amended Plan, the Fourth Amended Joint Plan filed September 28, 2009, the SemGroup Debtors expect their total available distributable value as of the Effective Date to be approximately \$2,446 million dollars, consisting of a combination of \$1,111 million in cash, \$300 million in Second Lien Term Loan Interest and \$1,035 million in New Common Stock and Warrants. The SemGroup Debtors expect the Effective Date to occur on or around November 6, 2009.

If the SemGroup plan is confirmed, the Reorganized SemGroup Companies' primary focus will be to continue providing midstream energy-related services to third-party customers and itself, including gathering, marketing and storage. Their operations will be smaller in scale due to a shift away from significant marketing and trading-related activities. Each Reorganized Debtor will continue to exist and operate after the Effective Date as a separate corporate entity, limited liability company, partnership or other form as the case may be. On or soon after the Effective Date, applicable distributions may be made to each holder of an Allowed Claim pursuant to the Plan. The Plan provides a description of classification for claims and the treatment of such claims on or after the Effective Date. As of this date, there have not been any Objections filed to the Fourth Amended Joint Plan of Reorganization. On the whole, the SemGroup Debtors' Plan fits the profile of a company successfully emerging from Chapter 11 bankruptcy protection, and further reflects a bankruptcy case necessitated by discreet (even if significant) financial emergencies rather than a generally floundering business.

Thus far, none of the filings in the SemGroup Bankruptcy indicate that the SemGroup Debtors are taking any action that would impact or implicate SemStream Arizona's operations. In short, the SemGroup reorganization Plan continues to contemplate exit financing to replace pre-bankruptcy secured debt, and a reorganized equity ownership structure, at the highest levels of the SemGroup corporate family tree. The SemGroup Amended Plans do not contemplate a liquidation, sale or restructuring of SemStream Arizona or its SemStream parent. In fact, each SemGroup Plan and Disclosure Statement filed has indicated that a significant component of the reorganization strategy is the continued operation and growth of the SemStream entities to equal or exceed pre-bankruptcy levels. Other than the foregoing, it does not appear that SemStream Arizona has been the subject of any significant discussion in any filings.

This memorandum is limited to a review of the filings in the SemGroup Bankruptcy, and Gallagher & Kennedy ("G&K") expresses no opinions on those filings, the status of the SemGroup Bankruptcy or any other matter. G&K is not representing any entity in the SemGroup Bankruptcy. The information set forth herein is merely a summary of the information set forth in the filings in the SemGroup Bankruptcy and is not, and should not be interpreted as, legal advice. Significant events may occur that are not reflected on the SemGroup Bankruptcy docket which may affect the accuracy of the information reflected herein. G&K takes no responsibility for the accuracy of the information set forth in the SemGroup Bankruptcy filings. This memorandum is provided as a courtesy only to the Commission and not as a guaranty or warranty of any of the matters discussed herein or in the documents referred to herein.